



**North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

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Michael F. Easley, Governor
Carmen Hooker Odom, Secretary

Michael Moseley, Director

March 30, 2006

MEMORANDUM

TO: Area/County Directors

FROM: Phillip Hoffman, Chief
Resource and Regulatory Management Section
DMHDDSAS

Laketha M. Miller, Controller
DHHS Office of the Controller

RE: Revised Monthly LME Report of Expenditures Form and Instructions
Effective for Actual LME Expenditures Reported Beginning March 2006

The purpose of this communication is to provide updated instructions, clarifications, and documentation requirements related to the monthly reporting of LME Systems Management expenditures. Initial information was provided in the June 16, 2004, memorandum (LME Funding Mechanism) to Area Directors. LMEs are to begin utilizing the attached revised reporting form and instructions effective with the submission of actual cost being reported for the month of March 2006.

Based on lessons learned in the reporting of allowable monthly cost, including the categorization of positions and cost as Skilled Professional Medical Personnel (SPMP), these revised instructions for reporting LME systems management expenditures are necessary to ensure accurate reporting. A portion of the lessons learned involve directions and suggestions from CMS staff following their site reviews at a number of LMEs.

Included herein, as an attachment to this communication, is the revised Monthly LME Report of Expenditures form. This communication will be posted on the public web pages for both the DHHS Controller's Office and DMHDDSAS. Instructions for reporting LME systems management expenditures are set forth below. The attached revised Monthly LME Report of Expenditures form contains a downloadable blank reporting schedule, an example tab and a tab with instructions for completing the form. The attached instructions are to be utilized in conjunction with this transmittal memo in determining which LME cost should be reported and how they are to be reported. Additionally, the reporting and documentation of cost must be accomplished in accordance with OMB Circular No. A-87, "Cost Principles for State, Local and Indian Tribal Governments."



Part 1: Total Expenditures for Claims Processing, Less Purchase of Equipment or Other Depreciable Assets:

Expenditures reported under Part 1 are those costs associated with processing claims that flow through an LME. Costs reported are inclusive of staff salary and fringe benefits along with general and administrative expenses. Activities include:

- comparing claims to authorizations;
- verifying collections of 1st and 3rd party payments;
- verifying rates;
- processing claims through LME software to IPRS or MMIS;
- paying claims to contractors;

Part 2: Salary & Fringe Benefits Cost of Skilled Professional Medical Personnel and Direct Support Staff

Expenditures reported in Part 2 include Salary and Fringe Benefits cost of SPMPs performing specific functions noted below. In addition to SPMPs, salary and fringe benefits for support staff who directly support the qualifying SPMPs are also to be reported in Part 2.

For an SPMP, and their related salary/fringe, to be reported within Part 2, the SPMP must meet the following criteria:

- a. The functions performed by the SPMP must be (i) Access, Screening, Triage & Referral, (ii) Provider Relations and Support, (iii) Service Management, or (iv) Customer Services. Not only must the SPMP perform these functions, the LME must ensure that the individual's job description require the SPMP to perform one or more of these functions. Additionally, the SPMPs must be performing functions which require a SPMP. For example, an M.D. performing Service Management functions would be reported in Part 2, however, an M.D. serving as the LME CEO would be reported in Part 3 since general LME governance is not one of the four functions noted above utilizing an SPMP.
- b. The SPMP must also qualify as a SPMP in accordance with 42 CFR 432.50(d)(ii) which states, "The skilled professional medical personnel have professional education and training in the field of medical care or appropriate medical practice. 'Professional education and training' means the completion of a 2-year or longer program leading to an academic degree or certificate in a medically related profession. This is demonstrated by possession of a medical license, certificate, or other document issued by a recognized National or State medical licensure or certifying organization or a degree in a medical field issued by a college or university certified by a professional medical organization. Experience in the administration, direction, or implementation of the Medicaid program is not considered the equivalent of professional training in a field of medical care."
- c. If the LME contracts for SPMP staff to perform the functions set forth in a. above, these contracted cost are to be reported within Part 2 provided (i) the contracted staff are performing functions as set forth in Part 2, item a. above, (ii) the contracted SPMP staff meet the staff qualifications set forth in Part 2, item b. above, and (iii) the contract is with another public agency and clearly documents that the public agency is performing these functions with qualified SPMP staff on behalf of the LME. If such a contract is with an individual or a private agency, the cost must be reported within Part 3 of the monthly LME expenditure report.

To assist LMEs in determining which staff qualify as an SPMP, the accompanying instructions (refer to instructions for Part 2, Column 2) provides a listing of the categories of positions which qualify as SPMPs, provided they also meet the criteria set forth in items a. and c. above. As questions about SPMPs arise and are resolved, additional guidance and interpretations on this topic will be shared with all LMEs as they are developed. Questions concerning qualifying SPMPs should be directed to: Mary Tripp, DMHDDSAS Accountability Team, at Mary.Tripp@ncmail.net or via phone at 919-881-2446.

Directly Supporting Staff are defined in 42 CFR 432.50(d)(iv), as, "The directly supporting staff are secretarial, stenographic, and copying personnel and file and records clerks who provide clerical services that are directly necessary for the completion of the professional medical responsibilities and functions of the skilled professional medical staff. **The skilled professional medical staff must directly supervise the**



supporting staff and the performance of the supporting staff's work (emphasis added).” Contracted support staff may also be included in Part 2 of the form provided the contracted staff directly support an eligible SPMP and are directly supervised by the SPMP. In the case of contracted clerical support staff, such contracts are not limited to those with other public agencies and may include contracts with individuals and private agencies as well. If these criteria are not met for “supporting staff”, cost must be reported in Part 3.

Part 3: All Other Expenditures, Less Purchase of Equipment or Other Depreciable Assets and Indirect Cost:

Included in this category are all other allowable expenditures to carry out the LME functions not otherwise reported in Parts 1, 2 and 4.

Examples of All Other Expenditures that should be included in Part 3 are miscellaneous costs incurred as a result of Systems Management activities such as accreditation cost, audit expenses, legal expenses, LME governance, local Consumer and Family Advisory Committee cost, training cost, consultant charges, LAN/WAN cost, lease/rent/mortgage cost, staff travel, printing consumer brochures, supplies, and other LME staff cost not eligible to be reported in Parts 1 or 2 of the form, etc.

Part 4: Monthly Depreciation and Monthly Indirect Cost:

Each LME must maintain a schedule reflecting asset depreciation for assets directly associated with the performance of LME systems management functions. Examples of depreciation may include equipment, software cost, cost of purchase or construction of buildings and building renovations, etc. For indirect cost, such reported cost must be supported by an indirect cost plan for the LME or an indirect cost plan that reflects the amount of cost allocated to the LME from the county or counties which comprise the LME’s catchment area. The portion of indirect cost reported on the expenditure report is limited to that portion of overall LME indirect cost associated with LME systems management functions. Any portion of indirect cost applicable to LME service delivery is not to be reported on the Monthly LME Report of Expenditures form. If indirect cost are reported, the LME and counties must maintain a copy of the indirect cost plan, and support documentation, for audit purposes.

The “Monthly LME Report of Expenditures” must be submitted by the 15th calendar day following the end of the previous month. For example, July’s expenditure report would be due August 15, August’s expenditure report would be due September 15. In order to review and record the appropriate Medicaid expenditures, the “Monthly LME Report of Expenditures”, certified by the LME’s Finance Officer, is to be sent to:

Jay Dixon
DHHS Office of the Controller
2019 Mail Service Center
Raleigh, NC 27699-2019

Also, electronic copies should be submitted to Jay.Dixon@ncmail.net and Kristi.Hickman@ncmail.net

Payment for LME systems management expenditures will not be made until the signed Monthly LME Report of Expenditures form has been received by the DHHS Office of the Controller.

In addition to the revised form and instructions which are to be utilized beginning with your March 2006 expenditure report, the Division, via separate communication during April 2006, will be issuing instructions to LMEs for a review of previously submitted reports, going back to July 2004. This review of prior reports is necessary to respond to questions from the Center for Medicare and Medicaid Services (CMS), primarily related to the reporting of SPMP staff for enhanced (75%-25%) Federal financial participation. When the instructions for reviewing prior reports is disseminated, you will receive them via hard copy and electronically and they will be posted on the Division’s web page as well.



Should you have general questions concerning this communication, please contact Wanda Mitchell by phone at (919) 733-7013 or via e-mail at Wanda.Mitchell@ncmail.net Questions associated with qualifying SPMPs should be addressed to Mary Tripp as noted above.

PH/LMM/pdh

Attachment: Revised Reporting Form and Instructions

cc: Secretary Carmen Hooker Odom
Allen Dobson, MD
DMH/DD/SAS Executive Leadership Team
DMH/DD/SAS Management Leadership Team
Carol Duncan Clayton
Patrice Roesler
Chair, Commission for MHDDSAS
Chair, Coalition 2001
Chair SCFAC
Kory Goldsmith
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Curtis Crouch
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